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IN THE

# Supreme Court of the United States

October Term, 1932.

No. 565

PHILIP HURN and PERCY MORGAN, JR.,
*Petitioners,*

*vs.*

FULTON OURSLER, LOWELL BRENTANO, ALBERT LEWIS and SAM H. HARRIS,
*Respondents.*

## BRIEF IN OPPOSITION TO PETITION FOR A WRIT OF CERTIORARI.

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Attorneys for Respondent Fulton Oursler.

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IN THE

# Supreme Court of the United States,

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PHILIP HURN and PERCY MORGAN, JR.,

v.

FULTON OURSLER, LOWELL BRENTANO, ALBERT LEWIS and SAM H. HARRIS.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES CIRCUIT COURT OF APPEALS FOR THE SECOND CIRCUIT.

## BRIEF FOR THE RESPONDENT FULTON OURSLER IN OPPOSITION.

### Opinions Below.

The *per curiam* opinion of the Circuit Court of Appeals (R. 45) has not been reported.

### Jurisdiction.

This appeal is taken from the decree of the Circuit Court of Appeals which was entered on November 14th, 1932. Pe-

tition for certiorari was filed on December 22, 1932. Jurisdiction of this Court is invoked under Section 240(a) of the Judicial Code as amended by the Act of February 13th, 1925.

## Question Presented.

The question is whether the Circuit Court of Appeals was correct in affirming that portion of the decree of the District Court which held that the Court was without jurisdiction to entertain a count of unfair business practice and unfair competition in a copyright infringement case where there was found to be no infringement and where there is no diversity of citizenship.

## Statement.

The petitioners alleged copyright infringement and unfair competition with respect to a dramatic composition composed by them and entitled "The Evil Hour." It was alleged that a drama entitled "The Spider", composed and produced by the respondents, was in certain respects an appropriation of "The Evil Hour."

The complaint relied upon two versions of "The Evil Hour", one of which was protected by statutory copyright (R. 5 and 26), the other of which was not (R. 23-25 and 28). The version of the respondents' play "The Spider" which was complained of was not protected by statutory copyright (R. 12 and 28).

There was no diversity of citizenship between the parties (R. 26).

The District Court found that the respondents' play "The Spider" did not infringe in any way the petitioners' copyright (R. 29).

The District Court also concluded that in view of the lack of copyright infringement the court was without jurisdiction to entertain allegations with respect to unfair competition

and to admit in evidence any proof thereof, in so far as such was based upon claims other than a claim of violation of the Copyright Law (R. 29-30).

The petitioners appealed to the Circuit Court only on the question as to whether or not the District Court had jurisdiction to entertain the alleged cause of action of unfair competition; no appeal was taken from the finding of lack of infringement (R. 35).

The Circuit Court affirmed the decree of the District Court (R. 45).

The issue is whether, in the absence of diversity of citizenship and after a finding of a lack of copyright infringement, a federal court has jurisdiction to entertain a count of unfair competition between (a) a copyrighted literary composition and an uncopyrighted literary composition, and (b) two uncopyrighted literary compositions.

## ARGUMENT.

### POINT I.

**In the absence of diversity of citizenship, the Federal Courts lack jurisdiction to entertain a count of unfair competition when coupled with a count of copyright infringement where the Court finds no infringement.**

The respondents contend that the decisions below were correct because the Federal Courts, created solely by statute, cannot exercise a jurisdiction not conferred upon them by law. The parties here are residents of the same state. Jurisdiction depends solely upon the alleged infringement of copyright. The charge of infringement having failed, and the sole federal question having therefore been disposed of, the law is clear that the petitioners have no further standing in court on the common law question of unfair competition.

In *Standard Paint Company* v. *Trinidad Asphalt Manufacturing Company,* 220 U. S. 446, the court said, at page 460:

> "The opposite parties to the suit are citizens of different States, and while this diversity of citizenship was not necessary to give the Circuit Court jurisdiction of the case in so far as it involved the validity of the trade-mark, it was necessary to give the court jurisdiction of the issue of unfair competition."

See also:

*Kasch* v. *Cliett,* 297 Fed. 169;
*Mallinson* v. *Ryan,* 242 Fed. 951;
*U. S. Expansion Bolt Co.* v. *H. G. Kroncke Hardware Co.,* 234 Fed. 868;
*Davids Co.* v. *Davids,* 192 Fed. 915;
*Bernstein* v. *Danwitz,* 190 Fed. 604;
*Hutchinson, Pierce & Co.* v. *Loewy,* 163 Fed. 42;
*Keasby Co.* v. *Cary Mfg. Co.,* 113 Fed. 432;
*Burt* v. *Smith,* 71 Fed. 161.

We quote as particularly *apropos* the following from *Kasch* v. *Cliett* (*supra*), at page 171, in which judgment on a decree refusing a preliminary injunction in a case involving allegations of infringement of a trade-mark registered under the acts of Congress and unfair competition respecting the use of such trade-mark, was affirmed:

> "A jurisdiction assumed because of a substantial federal question may require the decision of other questions which control the controversy, regardless of what decision is given the federal question, or whether it is decided at all. Siler v. L. & N. R. Co., 213 U. S. 175, 29 Sup. Ct. 451, 53 L. Ed. 753; Greene v. Louisville & Interurban R. R., 244 U. S. 499, 37 Sup. Ct. 673, 61 L. Ed. 1280, Ann. Cas. 1917 E. 88. But where, as in this case, the entire jurisdiction is limited to the one subject-matter of a case arising under section 16 of the Act of 1905, and that case fails, it would on its face be an unwarranted extension of jurisdiction to attempt to deal with

> an entirely different cause of action arising under the common law or state laws, such as for unfair competition or infringement of a trade-mark within a single state."

The rule of which the petioners complain, and which we believe to be the true rule, was recently expressed by the Circuit Court of Appeals for the Second Circuit in *Ingrassia v. A. C. W. Mfg. Corporation* (1928) 24 Fed. (2d) 703, where the court said, at page 704:

> "This court and the District Courts of this Circuit have consistently held that, in the absence of diversity of citizenship between the litigants, a patent infringement suit or a statutory trade-mark infringement may not be joined with a suit for unfair competition in trade. * * * The cause of action as to unfair competition was properly dismissed."

It seems settled, beyond doubt, therefore, that the court will not take cognizance of a count for unfair competition in the situation at bar.

## POINT II.

### There is no conflict between the Circuits.

The petitioners claim that a conflict exists between the Second Circuit and the Sixth Circuit by reason of the decision in *Vogue Co.* v. *Vogue Hat Co.*, 12 Fed. (2d) 991, certiorari denied, 273 U. S. 706, that case being in the Sixth Circuit. The court there does speak of a conflict with the view held in the Second Circuit. However, the conflict does not seem to be substantial or real, because in the *Vogue* case the argument stated to be in conflict was *dictum* and not at all necessary to the decision. The suit was for trade-mark infringement and unfair competition. Plaintiff and defendant were citizens of *different* states. A second defendant, of the same citizenship as plaintiff, voluntarily intervened and

took over the active defense. The issues of both infringement and unfair competition were tried in the District Court without objection by defendant. It was on these facts that the court based its decision. At page 992, the court, citing *Wichita* v. *Commission*, 260 U. S. 48, in deciding that the necessary diverse citizenship existed despite the aforesaid intervention, said:

> "Here there was equally complete jurisdiction by diverse citizenship over both grounds of the controversy which the plaintiff presented by its bill."

Again, at page 992, the court said:

> "* * * after its voluntary appearance in the case and litigating to the end upon the merits, this defendant cannot be heard to question the power of the court to decide the very question which has been so litigated."

Closing its discussion of these two points, the court said, at page 992:

> "Our disposition of the present application might rest upon what has been said * * *."

In fact, the Circuit Court for the Second Circuit has pointed out that the *Vogue* case is not in conflict with its view. In *Levering & Garrigues Co.* v. *Morrin*, 61 Fed. (2nd) 115, there being a lack of diversity of citizenship, the court decided that it lacked jurisdiction to rule upon a common law question concerning boycott, even though there had been a federal question in the case, such question having been decided adversely to the plaintiff. The court said, at page 120:

> "Judge Denison, anticipating his view expressed in Vogue Co. v. Vogue Hat Co., supra, did invoke the Siler case, but even then as a dictum, because he thought that federal jurisdiction existed quite independently ([C. C. A.] 269 F. 235, 241), just as the Supreme Court did. The case does not, therefore, stand against our view."

The gist of the *dictum* in the *Vogue* case, expressed at page 995, is as follows:

> "Accordingly we conclude that since the acts which in this case constitute the claimed infringement of a registered trade-mark and the claimed unfair competition are, at least in sufficient degree, the same acts, and, since it is to be assumed that the trade-mark registry was valid, the court had jurisdiction to enjoin the unfair competition, although it had decided that the registered trade-mark was not infringed; and this is perhaps particularly true because our findings of lack of infringement was based only on the circumstance that the articles marked were not of the same descriptive quality as the registered mark."

Even assuming the soundness of this view, the case at bar is not analogous, since there is nothing to show any appropriation whatever of the petitioners' composition and because there is nothing, in fact, to show that the acts relating to the alleged unfair competition would be the same or substantially the same as the acts relied upon relating to the alleged infringement.

Indeed, it seems likely that no case involving copyright infringement and unfair competition could be analogous to a case involving trade-mark infringement and unfair competition.

The *Vogue* case was a trade-mark case. This case is one of copyright infringement. Granting that in some respects, these two types of case are analogous, there is no analogy with regard to the aspect under discussion. In trade-mark cases the proof is almost bound to be substantially identical on the questions of infringement and unfair competition. In copyright infringement cases, that is not so. The *Vogue* case and the present case clearly illustrate this point. In the *Vogue* case the proof as to both counts disclosed "in sufficient degrees, the *same* acts." (Italics ours.) In the case at bar, however, the trial court found no infringement as to plot, material, arrangement or sequence of events, incidents or

otherwise (R. 29). To prove unfair competition, the petitioners would have to make out an entirely new case. *Some* appropriation would have to be shown and also a deception of or palming off on the public. The same reasoning applies to patent cases as to suits involving trade-marks. Therefore, even if the trade-mark and patent cases cited by the petitioners stand for the proposition which the petitioners say they do, they do not seem to be decisive of the present matter.

The petitioners point to the fact that certiorari was denied in the *Vogue* case, but it is believed that such denial was based upon the facts in the case and did not constitute an expression of approval of the *dictum* respecting jurisdiction.

## POINT III.

### The cases relied on by the petitioners do not sustain their contention.

The petitioners rely on the case of *Moore* v. *N. Y. Cotton Exchange,* 270 U. S. 593. In that case the plaintiff sued under the Anti-Trust Laws and the defendant interposed a counterclaim on a common law question. There was no diversity of citizenship. Upon the trial the complaint was dismissed and the relief asked for in the counterclaim was granted, the court retaining jurisdiction under Equity Rule 30. In that case it was the plaintiff who contested the jurisdiction, but, of course, the plaintiff could not complain of the determination adverse to himself of a controversy by a court which he himself had chosen as the forum in which to prosecute his original claim.

The petitioners rely upon another line of cases, exemplified by *Siler* v. *Louisville & Nashville Railroad Co.,* 213 U. S. 175. These cases all involve constitutional questions and are in a class by themselves, so that they cannot be considered as analogies in the present situation. That the power exercised by the court in these cases is perhaps unique, is illus-

trated by the decision in *Levering & Garrigues Co.* v. *Morrin*, 61 Fed. (2d) 115, where the court said, at page 119:

> "When a complaint challenges the validity of a state statute as infringing the Federal Constitution, questions depending upon the local law, such as the true interpretation of the statute, or its validity under the State Constitution, underlie the very foundation of the plaintiff's cause of action. Such questions are necessarily involved in the controversy presented to the federal court. Compare Barney v. City of New York, 193 U. S. 430, 24 S. Ct. 502, 48 L. Ed. 737, which, in so far as it implies the contrary, apparently is no longer the law. Raymond v. Chicago Union Traction Co., 207 U. S. 20, 28 S. Ct. 7, 52 L. Ed. 78, 12 Ann. Cas. 757; Home Tel. & Tel. Co. v. Los Angeles, 227 U. S. 278, 33 S. Ct. 312, 57 L. Ed. 510; Iowa-Des Moines Nat. Bank v. Bennett, 284 U. S. 239, 246, 52 S. Ct. 133, 76 L. Ed. 265. See 40 Harv. L. Rev. 969. The court must have power to decide these preliminary questions in order to reach the ultimate question involving the Federal Constitution, and it may well place its decision upon such local grounds rather than the federal one if it prefers to avoid a decision of the latter, or even though it does decide it and adversely to the plaintiff. Such, if we understand it, is the ratio decidendi of the Siler Case and the others following it where a substantial federal constitutional question is asserted. When, however, the complaint charges the defendant with conduct alleged to violate both a federal statute, such as the Trade-Mark or Patent Act, and also the local law as to unfair competition, the local question is independent of the federal question and is in no sense the foundation of the plaintiff's asserted federal right. Hence, if the latter is found not to exist, there is no basis for ascribing to the court a jurisdiction to decide the independent nonfederal question."

We believe that the case of *Dickinson Tire & Machine Co.* v. *Dickinson et al.*, 29 Fed. (2d) 493, cited by petitioners, is not an authority in this case, since the counterclaim in the *Dickinson* case, involving a claim to a patent, would have been the proper subject of an independent federal action.

## POINT IV.

### There is no hardship in this case which the petitioners could not have prevented.

The issue here is clear-cut. Merely because a suit involving a federal question is adjudicated by a federal court, does such a court thereby automatically acquire the *power* to hear and pass on a common law question in a dispute between citizens of a single state, when such power has not been conferred upon it by the law which is the sole fountain-head of its authority? We contend manifestly not. In trade-mark and patent cases the courts have sometimes entertained a count of unfair competition, but in such cases, the court was invariably guided in part by the hardship which a remission to the state courts would thrust upon a plaintiff *whose claim of unfair competition had already been litigated.*

It is worth noting that the petitioners cite no cases (and it is believed that none can be found) in which, in the absence of diversity of citizenship, (a) a count for unfair competition was entertained in a suit involving *copyright* infringement, and (b) in which a cause was remanded for a new trial on the sole ground of unfair competition.

The petitioners in their brief make argument concerning hardship. But there was nothing to prevent them, when this infringement suit was started, from commencing an action in the state court on the sole question of unfair competition.

## POINT V.

**This is not a proper case in which to resolve any possible conflict which may exist with respect to unfair competition in trade-mark and patent cases.**

Even if there were a conflict in the Circuits representing the jurisdiction of the federal courts to entertain allegations respecting unfair competition in trade-mark and patent infringement cases, we believe that it is unfair and unsound to ask this court to settle such conflict by a case involving not trade-marks or patents, but copyrights in which proof respecting unfair competition must necessarily be widely divergent from proof respecting infringement.

## CONCLUSION.

The decision of the court below was correct. There is no conflict of decisions. The petition should be denied.

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